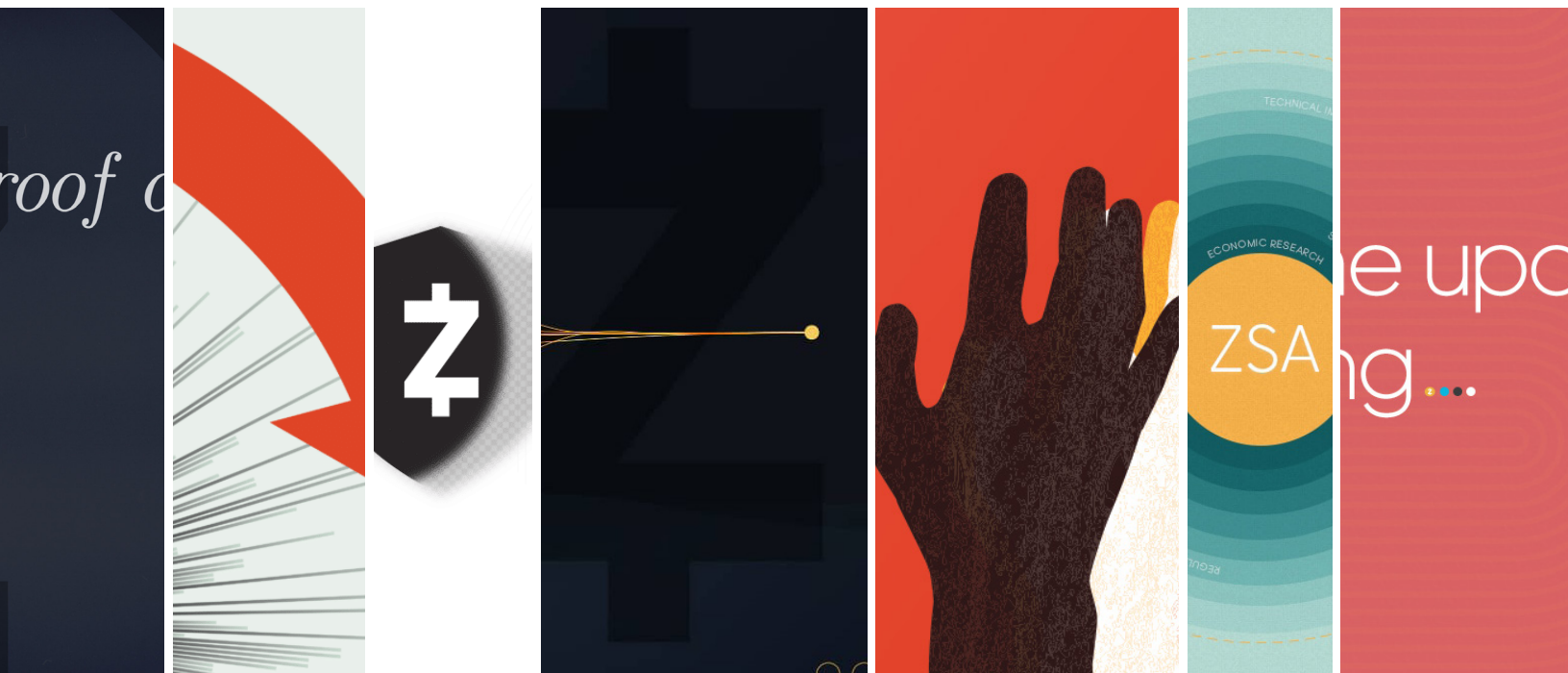




Electric Coin Co. Transparency Report

March 2022

A review of income, expenses and use
of funds in Q3 2021



Why release a transparency report?

Electric Coin Co. (ECC)* is committed to openness and transparency — as we help evolve and support the Zcash digital currency, and in support of our mission to empower people with economic freedom. This transparency report details company income, expenses and use of funds during Q3 2021.

***Note:** *ECC is a wholly owned entity of the 501(c)3 Bootstrap Org.*

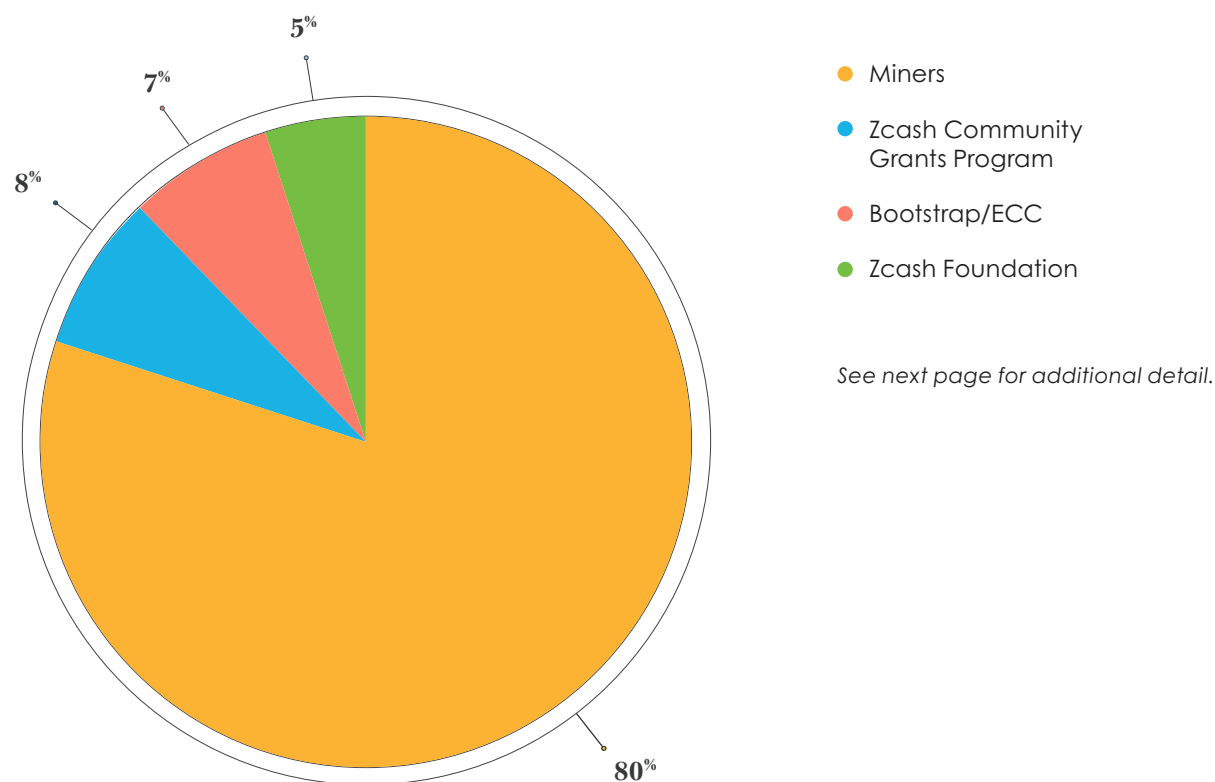


Key takeaways:

- ECC, through its parent 501(c)3 Bootstrap Org, received coins at a value above the operating-expense level for Q3 2021. During Q3 2021, Bootstrap received coins at an average of \$952,000 a month (at the Q3 average ZEC price for each of the three months' distribution dates at \$124.35) and incurred average monthly expenses of approximately \$554,000.
- At the end of Q3 2021, the company held approximately \$5.9M in USD and approximately 73.1K ZEC. As of March 17, 2022, the company held approximately \$5.7M in USD and approximately 93.1K in ZEC.

Income and the mechanics of the development fund

The [Founders Reward](#) (FR), Zcash’s original development funding mechanism, expired in November 2020 at the first Zcash halvening. At that time, block rewards were halved to 3.125 ZEC, and a [new development fund](#), as proposed and approved by the community, was implemented. The new fund stipulates that 80 percent of Zcash issuance continues to be distributed to miners, while 20 percent is devoted to Zcash development funding. Importantly, 8 percent of the total block reward (or about 40 percent of the new development fund) goes into a grant program for independent, third-party developers. Through its parent 501(c)3 Bootstrap Org, ECC receives 7 percent of the total rewards, and the remaining 5 percent supports the work of the Zcash Foundation.

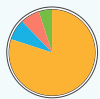


The approximate amount of total mining rewards generated each month post halving was 109,375 ZEC. At a price of \$125.55 per coin (the average of the daily closing price of ZEC for Q3 2021), this equated to \$13.7M.

The table below shows the approximate share of mining rewards and estimated dollar value received per month for July through September 2021.

July-September 2021		
Recipient	SHARE OF MINING REWARDS	MONTHLY USD VALUE AT ZEC PRICE OF \$125.55*
Miners	80.00%	\$10,985,625
Zcash Community Grants Program	8%	\$1,098,563
Bootstrap	7%	\$961,242
Zcash Foundation	5%	\$686,602

**Average of the daily closing price July - September 2021*



Key



Miners

Responsible for transaction verification.



Zcash Community Grants Program

Zcash Community Grants Program (ZCG) exists to fund projects that advance the usability, security, privacy, and adoption of Zcash. ZCG is a technology advisory board that constitutes a committee of the Zcash Foundation, under its bylaws. Grants are chosen by a committee of five members who were chosen by the Zcash Community Advisory Panel in an open election.



Bootstrap

ECC is the author of this report. Until Q4 2020, it was a for-profit entity focused on building and supporting the Zcash protocol and affiliated software. In November 2020, it [shifted](#) to being wholly owned by The Bootstrap Org., Inc., a 501(c)3. A breakdown of ECC activities and expenses are included in this report.



Zcash Foundation

The [Zcash Foundation](#) is a 501(c)3 nonprofit that focuses on financial privacy. Its stated mission is to build internet payment and privacy infrastructure for the public good.

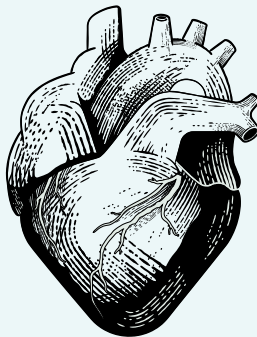


Income and holdings

Since the beginning of the Zcash development fund, Bootstrap revenue/income is recognized at the market price for the coins received on the day they were received. The coins are held as an asset on Bootstrap's books at the market price established on the day received. At the point of a subsequent sale of any of those coins, a sale price above or below will create a gain or a loss to be recognized depending on the price at the time of sale.

The first development fund distribution of 7,656 ZEC coins was received by Bootstrap in December 2020, and Bootstrap has continued to receive the same distribution of coins each month.

At the end of Q3 2021, the company held approximately \$5.9M in USD and approximately 73.1K ZEC. As of March 17, 2022, the company held approximately \$5.7M in USD and approximately 93.1K in ZEC.



Expenses and use of funds

During Q3 2021, operating expenses averaged approximately \$554,000. We do not generally experience large variations in the departmental expense breakdown quarter over quarter.

In an effort to motivate and retain a highly valued team we have implemented an employee retention plan denominated in ZEC. These funds are periodically granted to employees and distributed over a four-year vesting period.

Shown below is the ECC functional department expense grouping. All expenses attributed to each department are included in the percentage.

2021

Department	Q3	Q2
Development	45%	44%
General and Admin	28%	27%
Growth and Regulatory	19%	19%
Security/Audit	8%	11%

Q3 2021 use of funds

ECC used funds received to develop and support Zcash technology and the community. ECC's three strategic priorities are to drive adoption while maintaining quality, invest in the team, and increase openness and collaboration. Our actions are aligned to those priorities across R&D, engineering, regulation, adoption and demand generation. The activities below included **work in the third quarter of 2021**. In some cases, we might reference work that was since completed but in progress during this time period.

Drive Adoption While Maintaining Quality

Research & development

Most of our R&D activity during this period continued to focus on Halo 2 and our preparations for bringing Halo 2 to Zcash in Network Upgrade 5 ([NU5](#)). We completed two external security assessments with [NCC Group](#) and [QEDIT](#) for both specification and implementation reviews. We also worked with George Mason University in support of our economic research around [Zcash Shielded Assets](#) (ZSAs).

Engineering

Engineering activity during this period was focused on implementation of the NU5 feature set. [ZIP 252](#) tracks the complete list of new and updated ZIPs, which include features such as [Orchard](#) (Halo on Zcash), a new [transaction format](#), and a new [transaction digest algorithm](#) for the NU5 network upgrade onward. We released Zcashd [4.5.0](#) which set the first testnet activation height and contained the initial set of NU5 consensus rules. We also released Zcashd [4.5.1](#) which contained updates to the Orchard circuit logic and set a new testnet activation height.

Regulatory relations

ECC believes that well-informed and -educated policy makers and regulators produce better regulation. To that end, we engage with policy makers and regulators both directly (through outreach; meetings; providing feedback on proposed legislation and regulation; and educational activities designed to improve understanding of blockchain/ DLT technology, cryptocurrencies in general, and Zcash specifically) and indirectly (by supporting and contributing to the efforts of organizations like Coin Center, the Blockchain Alliance, the Blockchain Association and Global Digital Finance).

Drive Adoption While Maintaining Quality (Cont'd)

Regulatory relations (cont'd)

During the period, we attended and spoke at the annual International Association of Financial Crimes Investigators (IAFCI) conference for education and engagement with a number of groups responsible for investigating cryptocurrency-related financial crimes.

We also [met with FinCEN](#) to provide an overview of Zcash features and the benefits of zero-knowledge cryptography for protecting citizen and national interests.

User adoption and education

Speaking:

- Zooko Wilcox and other luminaries in the crypto-sphere joined [the future of Web3 at Mainnet2021](#)
- ECC CTO Nathan Wilcox spoke with [Reimagine](#) on the need and importance of privacy
- ECC CTO Nathan Wilcox spoke on a pleb.fi Austin panel about altcoin innovations

Notable mentions:

- [“Zcash: Snowden’s Favorite Crypto?”](#) Naomi Brockwell on Zcash and its use
- [Forbes](#) featured ECC CEO Zooko Wilcox and covered Zcash, proof of stake, and carbon footprint
- [Crypto R US](#) on the future of Zcash and other privacy coins
- [Superteam Podcast](#) discussed zero-knowledge proofs
- [Change Hero](#) published a “Zcash for Beginners” infographic

Community:

- Held regular community calls, including [Arborist Club](#) and [Gardening Club](#)
- Held [Zeal Call](#) with Zcash Foundation engineers, Henry De Valence and Chelsea Komlo

Invest in the Team

Hiring	In Q3 2021, ECC hired Sasha Sullivan (DevSecOps Engineer) and Beth Patterson (Head of Strategic Alliances).
HR	In Q3 2021, we completed our OKR planning week for Term 3 2021, which spans October through January.

Increase Openness and Transparency

Comms	<p>Highlights:</p> <ul style="list-style-type: none">• Released Zcash metrics monthly• Weekly updates published on Zcash Community Forum• Released a new video, “Bitcoin’s Privacy Problem”• Held our first Twitter Spaces AMA• Sent out newsletters in July, August and September• Updated and published the ECC Code of Conduct• ECC was active on Twitter and Blockfolio (FTX Signal) and other social channels• Weekly updates were published on the Zcash Community Forum
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Increase Openness and Transparency (Cont'd)

Comms
(cont'd)

Blogs:

- [Should Zcash switch from Proof of Work to Proof of Stake?](#)
- [What would a Zcash Proof-of-Stake transition look like?](#)
- [ECC transitions to user-focused product strategy](#)
- [Privacy-leak Bug Discovered in Nighthawk and ECC Wallets](#)
- [ECC Timeline Updates and Planning for 2022](#)
- [New Releases Help Enable Zcash Shielded by Default](#)
- [ZSAs: ECC Progress and Next Steps](#)
- [Let's Give ZEC Holders a Voice](#)
- [Ethereum, Zcash, Filecoin Collaboration](#)
- [ECC Transparency Report for Q4 2020 and Q1 2021](#)
- [Zcash Coin-Holder Polling Opens](#)
- [New Release 4.5.1](#)
- [Explaining Halo 2](#)

“We’re really excited to be partnering with ECC, Protocol Labs and the Ethereum Foundation to explore interoperability between Ethereum, Filecoin and Zcash — and to explore recursion... and how Halo might be implemented in the Filecoin ecosystem to improve efficiency and scalability. We really think that having this type of cross-chain proof verification could unlock a lot of very cool possibilities. You know, you could imagine, like, file storage being paid for with Zcash — a lot of really, really cool possibilities.”

Marta Belcher
General Counsel and Head of Policy, Protocol Labs

From:

[Mainnet 2021: The Future of Web3](#)



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